3rd November 2016

Healthcare

Actelion

Price CHF137.40

Acquisition of rights to in-license a DMD drug currently in phase II

Fair Value CHF180 (+31%) **NEUTRAL**

Bloomberg	ATLN VX
Reuters	ATLN.VX
12-month High / Low (CHF)	173.8 / 122.5
Market Cap (CHFm)	14,806
Avg. 6m daily volume (000)	361.9

	1 M	3 M	6 M	31/12/15
Absolute perf.	-18.3%	-17.6%	-11.1%	-1.6%
Healthcare	-7.6%	-12.8%	-6.4%	-16.2%
DJ Stoxx 600	-3.3%	-1.2%	-2.8%	-9.4%

	2015	2016e	2017e	2018e
P/E	22.3x	18.0x	20.9x	19.0x
Div yield (%)	1.1%	1.1%	1.1%	1.1%

ANALYSIS

- Actelion has acquired an option to in-license vamorolone, a steroid-like compound that is currently in phase IIa in 4-7 year-old steroid-naïve boys suffering from Duchenne Muscular Dystrophy (DMD), a genetic disorder that destroys muscles and leads to early death. The phase IIa study (VISION-DMD) was initiated in last August in 48 children and compares four different doses ranging from 0.25 mg/kg/day up to 6 mg/kg/day with safety as the primary endpoint. An extension to the study also assesses muscle function and body mass.
- There has been some noise around DMD in recent months since results from a drug called eteplirsen were highly debated. Data obtained in a 12-patient large clinical trial were not crystal-clear and a panel of experts voted against the approval of the drug. But vocal and influential communities of parents advocated in favour of the drug, desperately waiting for any hope to address this devastating disease. Under the condition to conduct another 2-year long clinical study, Exondys 51 from Sarepta Therapeutics was approved in September by the FDA for patients with a confirmed mutation of the dystrophin gene to exon 51 skipping (about 13% of DMD pts).

VALUATION

- There is limited information in the press release about conditions and terms of the licensing deal. Actelion can exercise its right to in-license the drug based on phase IIa results that are expected in H2 2017 and no later than following the receipt of phase IIb data. The phase IIb is already in the planning stage. If the results are very good then a filing based on a well-conducted phase II programme might be feasible. The compound has already received orphan drug designation of course. However, two other drugs are currently running phase III trials in DMD: ataluren and idebenone but with different targets and mechanisms of action.
- We will wait until phase II data are disclosed before eventually taking the drug into our sales model. Actelion has already paid USD10m to ReveraGen. If the option is exercised, Actelion would pay up to USD165m in development and regulatory milestones (+ USD190m in further indications) and tiered single to low double-digit royalties on net sales.

NEXT CATALYSTS

- 15th November 2016: Actelion's CEO at Bryan Garnier Healthcare Conference

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